

Message Text

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ACTION SS-25

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C O N F I D E N T I A L CAIRO 3172

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C O R R E C T E D C O P Y TEXT PARA 6 LAST LINE

BONN AND PARIS PASS UNDER SECRETARY ROBINSON

E.O. 11652: GDS

TAGS: EFIN EG

SUBJECT: EMERGENCY ASSISTANCE FOR EGYPT: DAVID ROCKEFELLER MEETING
WITH SADAT

1. CHASE-MANHATTAN BANK VICE PRESIDENT JOHN RICHEY CALLED ON
CHARGE MAR 10 TO INFORM HIM OF RESULTS OF MEETING BETWEEN
CHASE MANHATTAN CHAIRMAN DAVID ROCKEFELLER AND PRESIDENT SADAT HELD
MARCH 5 AT SADAT'S REQUEST. (ROCKEFELLER, WHO HAD ALREADY
STOPPED IN CAIRO, WAS SPECIALLY REQUESTED BY SADAT TO MAKE
RETURN VISIT BEFORE DEPARTING ME AREA.) RICHEY, WHO HAD
BEEN DEBRIEFED AT AIRPORT PRIOR TO ROCKEFELLER'S DEPARTURE
ALMOST IMMEDIATELY FOLLOWING FRIDAY EVENING MEETING, INDICATED
THAT RESULTS DEMONSTRATED NO SPECIFIC CONCLUSIONS. HE SAID THAT
ROCKEFELLER WAS ACCOMPANIED ONLY BY HIS SPECIAL ASST JOSEPH REED
TO MEETING WITH PRESIDENT SADAT WHICH WAS ALSO ATTENDED BY
VP MOBAREK, PRIMIN SALEM AND FONMIN FAHMY.

2. RICHEY SAID THAT, OF COURSE, DISCUSSION DEALT WITH CIRITICAL
EGYPTIAN FINANCIAL POSITION, BUT WAS CONFINED
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MOSTLY TO GENERALITIES. (COMMENT: THIS IS NOT

SURPRISING CONSIDERING FINANCIAL EXPERTISE OF THOSE IN ATTENDANCE ON EGYPTIAN SIDE END COMMENT). QUESTION OF LARGE COMMERCIAL MEDIUM TERM LOAN IN RANGE OF LE 200-300 THOUSAND WAS RAISED BY PRIMIN WHO INDICATED THIS WOULD BE REQUIRED TO MEET PART OF TOTAL AMOUNT OF LE 700 MILLION WHICH EGYPT NEEDED TO OBTAIN IN FINANCING DURING CURRENT YEAR.

3. RICHEY IMPLIED THAT ROCKEFELLER WAS NOT VERY FORTHCOMING IN RESPONSE TO THIS REQUEST. HE APPARENTLY EXPLAINED THAT THERE WOULD BE DIFFICULTY IN RAISING LOANS FROM BANKS IN THIS AMOUNT BECAUSE OF CONCERN ABOUT EGYPTIAN FINANCIAL ORGANIZATION AND MANAGEMENT. HE THOUGHT THAT EGYPT'S CHANCES WOULD BE MUCH ENHANCED IF DEFINITE STEPS WERE TAKEN TO IMPROVE ITS IMAGE IN THIS RESPECT AND TO UNDERTAKE A REORGANIZATION OF ITS FINANCIAL MANAGEMENT PREFERABLY UNDER SOMEONE WHO COULD BE DESCRIBED AS "AN ECONOMIC CZAR." RICHEY REPORTED THAT PRIMIN SALE'S REACTION TO THIS SUGGESTION WAS THAT "HE WAS THE ECONOMIC CZAR."

4. SADAT ASKED ROCKEFELLER FOR HIS ASSISTANCE AND ADVICE ON HOW EGYPT SHOULD PROCEED IN ORDER TO IMPROVE ITS FINANCIAL SITUATION. HE ASKED THAT CHASE MANHATTAN SEND ONE OF ITS TOP PEOPLE TO ACT AS FINANCIAL ADVOSR. ROCKEFELLER APPARENTLY INDICATED THAT HE WOULD CONSIDER THIS MATTER UPON HIS RETURN TO NEW YORK AND WOULD PROVIDE PRESIDENT WITH EARLY RESPONSE TO THIS AND OTHER MATTERS DISCUSSED.

5. RICHEY EXPLAINED THAT THERE WAS LITTLE LIKELIHOOD THAT A CONSORTIUM OF BANKS COULD BE FORMED TO LOAN UP TO \$500 MILLION TO EGYPT GIVEN ITS CURRENT FINANCIAL CONDITION. HE REMARKED THAT EVEN THE OFFER OF SUEZ CANAL TOLLS AS SECURITY DID NOT PROVIDE ANY ATTRACTION SINCE BANKS WERE AWARE THAT THERE WAS LITTLE CONTROL THEY COULD HAVE OVER SUBSEQUENT NATIONAL DECISIONS IN THE EXERCISE OF A COUNTRY'S SOVEREIGNTY. RICHEY OBSERVED THAT BANKS PREFERRED TO MAKE UNSECURED LOANS TO COUNTRIES WITH HEALTHY ECONOMIC PROSPECTS OR FOR PROJECTS WHICH HAVE PROSPECTS OF EARNING PROFIT SUFFICIENT TO ENABLE REPAYMENT.

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6. WHEN QUERIED AS TO BANK REACTION IN CASE OF LOAN GUARANTEE TO BE PROVIDED BY ONE OF OIL RICH STATES SUCH AS SAUDI ARABIA, KUWAIT OR IRAN, RICHEY COMMENTED THAT THIS WOULD PRESENT DIFFERENT PICTURE. HOWEVER, HE KNEW FROM HIS RECENT CONVERSATIONS WITH SAUDI FINANCIAL OFFICIALS INCLUDING MINISTER ABA KHAYL, THAT SAUDIS WERE NOT ABOUT TO PROVIDE GUARANTEE FOR LOAN TO EGYPT. INDEED, SAUDIS HAD

ENCOURAGED CHASE-MANHATTAN TO PROMOTE WHATEVER EFFORTS IT COULD TO GET EGYPTIANS TO PUT FINANCIAL HOUSE IN ORDER. SAUDIS INDICATED THAT AS RESULT OF THEIR LACK OF CONFIDENCE IN EGYPTIAN ABILITY TO MANAGE THEIR FINANCIAL AFFAIRS, THEY WERE NOT PREPARED TO UNDERTAKE LONG TERM COMMITMENT TO PROVIDE FINANCIAL ASSISTANCE TO EGYPT UNTIL SOME IMPROVEMENT WAS EFFECTED. SAUDI INTENTION WAS TO KEEP EGYPT ON SHORT LEASH. RICHEY NOTED THAT IRAN WAS IN A LESS SATISFACTORY PSOTITION THAN SAUDI ARABIA OR KUWAIT, BUT FELT THAT AN IRANIAN GUARANTEE OF ANY EGYPTIAN LOAN WOULD BE FULLY ACCEPTABLE TO BANKS. HE THOUGHT THAT FOR SUCH A LOAN, THE TERMS COULD BE BETWEEN FIVE AND SEVEN YEARS AT AN INTEREST RATE OF ONE OR ONE AND ONE HALF PERCENT OVER LONDON FLOATING RATE.

7. RICHEY SAID THAT EIRHTER HE WOULD RECEIVE MESSAGE TO PASS ON TO EGYPTIANS IN CONNECTION WITH CHASE CONSIDERATION OF THIS PROBLEM OR THAT MESSAGE MIGHT BE DELIVERED BY ANOTHER CHASE OFFICIAL WHO WOULD COME TO PURSUE FURTHER DISCUSSIONS. HE PROMISED TO KEEP EMBASSY INFORMED OF DEVELOPMENTS.
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